



Imbabazane Municipality
Annual Financial Statements
for the year ended 30 June 2011

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Mayoral committee

Mayor	Mrs PG Strydom
Deputy Mayor	Mr. MC Mkhize
Speaker	Mr. MA Mkhize
Number of Councillors	25

Grading of local authority

2

Acting Chief Financial Officer

Mr. S Dube

Accounting Officer

Mr. M M Ndlela

Registered office

Ntabamhlophe
Sobabili Area
Estcourt
3310

Business address

Ntabamhlophe
Sobabili
Estcourt
3310

Postal address

P.O.Box 750
Estcourt
3310

Telephone Number

036 353 0625/81/91/93

Fax Number

036 353 6661

Auditors

Auditor-General

Bankers

ABSA Public Sector Newcastle

Imbabazane Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 4 to 31, which have been prepared on the going concern basis, were approved by the on 31 August 2011 and were signed on its behalf by:

Mr. M M Ndlela
Municipal Manager

Imbabazane Municipality

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables	6	2 112 397	2 155 652
VAT receivable	7	2 923 929	1 282 449
Consumer debtors	8	1 080 254	1 091 971
Investments	5	15 000 000	5 000 000
Cash and cash equivalents	9	10 087 568	23 686 994
		31 204 148	33 217 066
Non-Current Assets			
Investment property	2	1 787 873	1 867 923
Property, plant and equipment	3	50 537 553	35 311 216
Intangible assets	4	14 048	17 964
		52 339 474	37 197 103
Non-Current Assets		52 339 474	37 197 103
Current Assets		31 204 148	33 217 066
Total Assets		83 543 622	70 414 169
Liabilities			
Current Liabilities			
Finance lease obligation	10	-	119 128
Trade and other payables	13	2 660 317	2 055 098
Unspent conditional grants and receipts	11	24 188 990	27 146 847
		26 849 307	29 321 073
Non-Current Liabilities			
Provisions	12	1 081 784	1 118 331
Non-Current Liabilities		1 081 784	1 118 331
Current Liabilities		26 849 307	29 321 073
Total Liabilities		27 931 091	30 439 404
Assets		83 543 622	70 414 169
Liabilities		(27 931 091)	(30 439 404)
Net Assets		55 612 531	39 398 916
Net Assets			
Accumulated surplus		55 612 531	39 398 916

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Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	15	2 850 809	1 503 940
Rental of facilities and equipment		35 806	73 622
Government grants & subsidies	16	60 170 841	46 305 905
Other income		169 599	372 418
Interest received - investment	21	1 052 183	1 116 585
Total Revenue		64 279 238	49 372 470
Expenditure			
Personnel	19	(12 896 302)	(10 756 381)
Remuneration of councillors	20	(4 245 756)	(4 122 769)
Depreciation and amortisation	22	(4 404 940)	(3 426 923)
Finance costs	23	(30 668)	(63 999)
Repairs and maintenance		(2 307 126)	(2 946 871)
General Expenses	18	(24 119 181)	(27 908 577)
Total Expenditure		(48 003 973)	(49 225 520)
Revenue		64 279 238	49 372 470
Expenditure		(48 003 973)	(49 225 520)
Other		-	-
Surplus for the year		16 275 265	146 950

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Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 580 306	2 580 306
Adjustments		
Surplus 2008	1 245 687	1 245 687
Balance at 01 July 2009 as restated	3 825 993	3 825 993
Changes in net assets		
Loans Redeemed and Capital Receipts transferred to Accumulated Surplus	44 614 764	44 614 764
Prior year adjustments- change in accounting policy	(8 562 874)	(8 562 874)
Net income (losses) recognised directly in net assets	39 877 883	39 877 883
Surplus for the year	(2 353 674)	(2 353 674)
Total recognised income and expenses for the year	37 524 209	37 524 209
Total changes	37 524 209	37 524 209
Opening balance as previously reported	37 524 209	37 524 209
Surplus for the year	146 950	146 950
Prior year adjustments	2 463 991	2 463 991
Balance at 01 July 2010 as restated	39 398 916	39 398 916
Changes in net assets		
Adjustments	(61 650)	(61 650)
Net income (losses) recognised directly in net assets	(61 650)	(61 650)
Surplus for the year	16 275 265	16 275 265
Total recognised income and expenses for the year	16 213 615	16 213 615
Total changes	16 213 615	16 213 615
Balance at 30 June 2011	55 612 531	55 612 531

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Annual Financial Statements for the year ended 30 June 2011

Cash flow statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Property Rates		2 862 525	1 423 862
Grants		60 170 841	46 305 905
Interest income		1 052 183	1 116 585
Other cash item		170 219	446 040
		<u>64 255 768</u>	<u>49 292 392</u>
Payments			
Employee costs		(17 142 058)	(14 879 150)
Suppliers		(31 047 315)	(22 879 085)
Finance costs		30 668	63 999
		<u>(48 158 705)</u>	<u>(37 694 236)</u>
Total receipts		64 255 768	49 292 392
Total payments		(48 158 705)	(37 694 236)
Net cash flows from operating activities	25	<u>16 097 063</u>	<u>11 598 156</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(19 540 152)	(2 585 662)
Proceeds from sale of property, plant and equipment	3	-	80 050
Purchase of other intangible assets	4	(6 547)	-
(Increase) / Decrease in investments	6	(10 000 000)	5 000 000
Finance costs		(30 668)	(63 999)
Net cash flows from investing activities		<u>(29 577 367)</u>	<u>2 430 389</u>
Cash flows from financing activities			
Finance lease payments		(119 122)	(253 425)
GRAP Adjustment		-	1 948 787
Net cash flows from financing activities		<u>(119 122)</u>	<u>1 695 362</u>
Net increase/(decrease) in cash and cash equivalents		<u>(13 599 426)</u>	<u>15 723 907</u>
Cash and cash equivalents at the beginning of the year		23 686 994	7 963 076
Cash and cash equivalents at the end of the year	9	<u>10 087 568</u>	<u>23 686 983</u>

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise specified. The Annual Financial Statements are presented in South African Rands.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with previous period.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the Accounting Standards Board, are summarised as follows:

Standard of GRAP

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interests in joint ventures
GRAP 9	Revenue
GRAP 12	Presentation of financial statements
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 16	Investment Property
GAMAP 17	Property, Plant and Equipment
GRAP 1	Presentation of financial statements
GRAP 102	Intangible Assets
GAMAP 19	Provisions, contingent liabilities and contingent asset
GRAP 1	Presentation of financial statements
GRAP 1	Presentation of financial statements
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

Accounting policies for material transactions, events or conditions not covered by the above GRAP reporting framework have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Property, plant and equipment (continued)

production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads	10 years
Community	
• Outdoor sports facilities	20
• Community Halls	30
• Public Conveniences	30
Other property, plant and equipment	
• Computer Software (part of computer)	5
• Emergency equipment	5 - 15
• Furniture and Fittings	3 - 10
• Motor Vehicles	5
• Office Equipment	5
• Other Assets	2-30

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),

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Accounting Policies

1.1 Property, plant and equipment (continued)

- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.2 Intangible assets

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over their useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.3 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivable through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenditure. When a trade receivable is uncollectible, it is written-off. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the Statement of Financial Performance.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, which is the initial carrying amount less repayments plus interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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Accounting Policies

1.4 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic repayment on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.6 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

1.7 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.9 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance

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Accounting Policies

1.11 Unauthorised expenditure (continued)

in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.14 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.15 Presentation of currency

These annual financial statements are presented in South African Rand.

1.16 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	2 401 490	(613 617)	1 787 873	2 401 490	(533 567)	1 867 923

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Investment property	1 867 923	(80 050)	1 787 873

Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Investment property	1 947 973	(80 050)	1 867 923

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, and this cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is likely to affect, must show the net gains or losses from fair value adjustments.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	9 250 133	(1 617 278)	7 632 855	9 250 133	(1 308 940)	7 941 193
Plant and machinery	5 353 870	(1 406 634)	3 947 236	3 613 870	(1 004 051)	2 609 819
Furniture and fixtures	1 256 763	(733 025)	523 738	1 255 710	(575 402)	680 308
Motor vehicles	2 330 220	(1 610 223)	719 997	2 330 220	(1 191 696)	1 138 524
Office equipment	1 880 771	(1 392 194)	488 577	1 828 303	(1 116 971)	711 332
Infrastructure	23 837 423	(5 630 997)	18 206 426	14 119 313	(3 354 247)	10 765 066
Community	9 691 117	(1 519 039)	8 172 078	8 252 437	(1 180 016)	7 072 421
Capital work in progress	10 773 952	-	10 773 952	4 184 109	-	4 184 109

Imbabazane Municipality

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Notes to the Annual Financial Statements

Figures in Rand					2011	2010
3. Property, plant and equipment (continued)						
Finance Leases	426 000	(353 306)	72 694	426 000	(217 556)	208 444
Total	64 800 249	(14 262 696)	50 537 553	45 260 095	(9 948 879)	35 311 216

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Buildings	7 941 191	-	-	(308 338)	7 632 853
Plant and machinery	2 609 819	1 740 000	-	(402 583)	3 947 236
Furniture and fixtures	680 308	1 053	-	(157 623)	523 738
Motor vehicles	1 138 524	-	-	(418 527)	719 997
Office equipment	711 335	52 467	-	(275 226)	488 576
Infrastructure	10 765 066	9 718 109	-	(2 276 749)	18 206 426
Community	7 072 421	1 438 680	-	(339 023)	8 172 078
Capital work in progress	4 184 109	10 773 952	(4 184 109)	-	10 773 952
Finance Leases	208 444	-	-	(135 750)	72 694
	35 311 217	23 724 261	(4 184 109)	(4 313 819)	50 537 550

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Buildings	8 249 529	-	-	-	(308 338)	7 941 191
Plant and machinery	1 132 004	1 813 866	(11 506)	4 986	(329 531)	2 609 819
Furniture and fixtures	426 390	194 500	-	207 810	(148 392)	680 308
Motor vehicles	1 557 052	-	-	-	(418 528)	1 138 524
Office equipment	939 659	-	(68 544)	131 551	(291 332)	711 334
Infrastructure	12 176 997	-	-	-	(1 411 931)	10 765 066
Community	7 347 502	-	-	-	(275 081)	7 072 421
Capital work in progress	3 606 813	577 296	-	-	-	4 184 109
Finance Leases	347 222	-	-	-	(138 778)	208 444
	35 783 168	2 585 662	(80 050)	344 347	(3 321 911)	35 311 216

Other Changes and Movements

The movement of R 4,184,109 under capital works in progress was due to the completion of roads projects in the financial year. This amount was transferred from capital works in progress to Infrastructure assets.

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in Note 3 certain property, plant and equipment with a carrying value of R 50,537,553 (2010: R 35,029,423) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

Buildings	-	7 941 193
Infrastructure	-	13 928 293
Community Assets	-	7 158 396
Other Property, Plant and Equipment	-	7 221 599

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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3. Property, plant and equipment (continued)

The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all assets during the next financial year. The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	80 264	(66 216)	14 048	73 717	(55 753)	17 964

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	17 964	6 547	(10 463)	14 048

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software	32 466	(14 502)	17 964

5. Investments

Opening Balance	5 000 000	10 000 000
Movements	10 000 000	(5 000 000)
Closing Balance	15 000 000	5 000 000

The investment account comprises of a monthly fixed deposit account held with Nedbank - Account number 03 7165 014640 and ABSA - Account number 20-7058-8567.

6. Trade and other receivables

Trade debtors	-	-
Other debtors	2 112 397	2 155 652
	2 112 397	2 155 652

7. VAT receivable

VAT	2 923 929	1 282 449
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to the South African Revenue Services.

8. Consumer debtors

Gross balances		
Rates	1 080 254	1 091 971

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
8. Consumer debtors (continued)		
Net balance		
Rates	1 080 254	1 091 971
Rates		
Current (0 -30 days)	80 335	39 543
31 - 60 days	67 586	37 643
61 - 90 days	68 015	33 755
91 - 120 days	48 791	33 180
121 - 365 days	815 527	947 850
	1 080 254	1 091 971

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 000	1 000
Bank balances	10 086 568	23 685 994
	10 087 568	23 686 994

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA Bank Limited Newcastle Current Account - 4056119170	4 473 033	17 630 643	5 227 586	2 717 726	15 075 831	190 282
15075831	7 368 115	8 606 843	7 885 855	7 368 115	8 606 843	7 766 017
ABSA Bank Limited Newcastle Current Account - 4065013195	865	3 457	5 914	865	3 457	5 914
ABSA Account 2	-	-	-	(137)	(137)	(137)
Total	11 842 013	26 240 943	13 119 355	10 086 569	23 685 994	7 962 076

10. Finance lease obligation

Minimum lease payments due

- within one year	-	290 424
- in second to third year inclusive	-	82 129
	-	372 553
less: future finance charges	-	(253 425)
Present value of minimum lease payments	-	119 128

Present value of minimum lease payments due

- within one year	-	119 128
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The average lease term was 3 years and the average effective borrowing rate was 2% (2010: 2%).

Interest rates are fixed at the contract date. All leases escalate at 10% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Imbabazane Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
11. Unspent conditional grants and receipts (continued)		
Unspent conditional grants and receipts		
LED Projects	-	14 964
LUMS	382 947	513 210
MINI Factory	5 277	5 277
Free Basic Electricity	-	93 274
Road Projects	1 961	1 961
CDW	262	262
Financial Interns	376 480	80 159
MIG	9 574 539	7 410 892
Housing Zwelisha Craig	2 042 027	8 630 267
Housing LOCHSLOY	7 816 386	7 816 386
DBSA	1 721 594	1 573 460
Low Cost Housing	800 000	800 000
Other Grants	1 467 517	206 735
	24 188 990	27 146 847

Movement during the year

Balance at the beginning of the year	27 146 847	21 316 151
Additions during the year	17 242 698	18 608 552
Income recognition during the year	(20 200 555)	(12 777 856)
	24 188 990	27 146 847

12. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Leave Provision	1 118 331	(36 547)	1 081 784

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Leave Provision	765 669	352 662	1 118 331

The leave provision represents the number of leave days due to individual staff members at year end. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

13. Trade and other payables

Trade payables	236 407	173 620
Accrued bonus	735 345	132 913
Unallocated Deposits	1 688 565	1 748 565
	2 660 317	2 055 098

14. Revenue

Property rates	2 850 809	1 503 940
Rental of facilities & equipment	35 806	73 622
Government grants & subsidies	60 170 841	46 305 905

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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14. Revenue (continued)

63 057 456	47 883 467
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The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities & equipment	35 806	73 622
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The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	2 850 809	1 503 940
Government grants & subsidies	60 170 841	46 305 905
	63 021 650	47 809 845

15. Property rates

Rates received

Commercial	22 109	334
State	2 589 696	1 439 541
Small holdings and farms	239 004	64 065
	2 850 809	1 503 940

The Municipality introduce the levying of Property Rates with effect 1 July 2009.

Valuations

Commercial	5 000 000	3 205 000
State	370 784 162	273 436 963
Small holdings and farms	103 253 000	208 996 000
	479 037 162	485 637 963

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Different rate randage are charged for the different category of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing-in of certain rates as contained in the Council's approved Property Rating Policy.

Rates are levied on an monthly basis in twelve (12) equal instalments payable on the 7 of the subsequent month. No interest and collection charges are levied on outstanding rates accounts, as agreed with the municipaity as part of the phased-in process.

The new general valuation was implemented on 01 July 2009.

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
16. Government grants and subsidies		
Equitable share	47 955 522	36 686 361
Government grant (operating)	12 215 319	9 619 544
	60 170 841	46 305 905

Equitable Share

In terms of the Constitution, this a portion of the grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	7 410 892	531 823
Current-year receipts	10 840 000	15 172 000
Conditions met - transferred to revenue	(8 676 353)	(8 292 931)
	9 574 539	7 410 892

Conditions still to be met - remain liabilities (see note 11)

The balance that is unspent has been earmarked to complete capital projects relating to roads.

Financial Managment Grant

Balance unspent at beginning of year	80 159	11 540
Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(953 679)	(931 381)
	376 480	80 159

Conditions still to be met - remain liabilities (see note 11)

The balance that is unspent has been earmarked for the compilation of the Annual Financial Statements for the period ended 30 June 2011.

MSIG

Balance unspent at beginning of year	171 010	-
Current-year receipts	750 000	500 000
Conditions met - transferred to revenue	(784 153)	(328 990)
	136 857	171 010

Conditions still to be met - remain liabilities (see note 11)

The balance that is unspent has been earmarked for the purchase of laptops for the Financial Interns.

Housing Zwelisha

Balance unspent at beginning of year	8 630 267	9 712 822
Conditions met - transferred to revenue	(6 588 240)	(1 082 555)
	2 042 027	8 630 267

Conditions still to be met - remain liabilities (see note 11)

The unspent balance is for the completion of the project.

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
16. Government grants and subsidies (continued)		
Housing LOCH-SLOY		
Balance unspent at beginning of year	7 816 386	7 816 386
Conditions still to be met - remain liabilities (see note 11)		
The unspent portion will be ring fenced for other housing projects listed in the IDP.		
DBSA		
Balance unspent at beginning of year	1 573 460	35 000
Current-year receipts	207 856	1 936 552
Conditions met - transferred to revenue	(59 722)	(398 092)
	1 721 594	1 573 460
Conditions still to be met - remain liabilities (see note 11)		
The unspent balance has been earmarked for the update and compliance of the Fixed assets register, as the municipality will need to comply fully with GRAP 17 standard.		
LUMS		
Balance unspent at beginning of year	513 210	513 210
Conditions met - transferred to revenue	(130 263)	-
	382 947	513 210
Conditions still to be met - remain liabilities (see note 11)		
The unspent balance has been earmarked for the feasibility study relating to the refuse removal site.		
Low cost Housing		
Balance unspent at beginning of year	800 000	800 000
Conditions still to be met - remain liabilities (see note 11)		
The unspent balance has been ring fenced for the housing projects identified in the IDP.		
Library		
Balance unspent at beginning of year	25 785	25 785
Current-year receipts	90 000	-
	115 785	25 785
Conditions still to be met - remain liabilities (see note 11)		
The unspent balance has been earmarked for the upgrade of the multi-media centre at the Library.		
Other Grants		
Balance unspent at beginning of year	206 735	206 735
Current-year receipts	1 315 100	-
Conditions met - transferred to revenue	(54 318)	-
	1 467 517	206 735

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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16. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11)

The unspent balances on other grants comprising of social services, School Support, HIV/ Aids Awareness LED projects has been ring fenced to address these projects in the new financial year.

Roads Projects

Balance unspent at beginning of year	1 961	1 961
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Conditions still to be met - remain liabilities (see note 11)

Community Development Workers - CDW

Balance unspent at beginning of year	262	262
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Conditions still to be met - remain liabilities (see note 11)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

17. Other revenue

Sundry Income	169 599	372 418
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The amount included in other revenue arising from non-exchange transactions is as follows:

Library	-	46 025
Income Tender fees	16 050	63 250
Copies	851	4 097
Donations	118 000	200 000
Other	34 698	59 046
	169 599	372 418

Imbabazane Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
18. General expenses		
Advertising	95 111	87 979
Bank charges	36 194	51 788
Cleaning	7 281	69 885
Computer expenses	319 641	96 246
Consulting and professional fees	223 503	521 540
Entertainment	312 077	367 196
Insurance	301 520	393 499
Lease rentals on operating lease	174 402	9 957
Magazines, books and periodicals	200 600	223 372
Motor vehicle expenses	330 652	30 800
Placement fees	-	68 171
Postage and courier	2 370	8 855
Printing and stationery	553 077	240 817
Protective clothing	17 782	6 569
Security (Guarding of municipal property)	1 123 699	610 447
Subscriptions and membership fees	3 480	154 155
Telephone and fax	659 385	416 193
Training	171 795	280 071
Electricity	222 165	133 921
Tourism development	59 175	18 040
Meetings Sub. and Travel	357 108	402 471
Audit Fees	997 434	1 114 110
Operational Grant Expenditure	17 943 124	22 602 495
Interest Paid	7 606	-
	24 119 181	27 908 577

Imbabazane Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
19. Employee related costs		
Basic	9 137 452	6 600 826
Bonus	1 120 343	546 060
Medical aid and pension fund contributions	760 910	1 512 448
UIF	84 685	77 135
SDL	144 662	127 289
Travel, motor car, accommodation, subsistence and other allowances	1 573 679	1 820 113
Housing benefits and allowances	74 571	72 510
	12 896 302	10 756 381
Remuneration of municipal manager		
Annual Remuneration	505 992	389 569
Car Allowance	162 720	156 480
Performance Bonuses	-	33 865
Contributions to UIF, Medical and Pension Funds	7 571	20 964
	676 283	600 878
Remuneration of chief finance officer		
Annual Remuneration	428 380	133 652
Car Allowance	48 000	26 730
Contributions to UIF, Medical and Pension Funds	75 432	75 026
	551 812	235 408
Remuneration of Community Services Manager		
Annual Remuneration	170 350	-
Car Allowance	50 000	-
Contributions to UIF, Medical and Pension Funds	8 057	-
	228 407	-
Corporate and human resources (corporate services)		
Annual Remuneration	420 360	307 220
Car Allowance	108 480	104 320
Performance Bonuses	-	25 200
Contributions to UIF, Medical and Pension Funds	23 359	52 413
	552 199	489 153
Director Technical Services		
Annual Remuneration	-	22 000
Car Allowance	-	8 000
Contributions to UIF, Medical and Pension Funds	-	50 486
	-	80 486
20. Remuneration of councillors		
Mayor	292 726	297 204
Deputy Mayor	395 804	440 425
Mayoral Committee Members	123 945	-
Speaker	225 066	231 858
Councillors	3 208 215	3 153 282
	4 245 756	4 122 769

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor and Deputy are full-time. The Speaker is part-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicles for official duties. The Mayor has two full-time bodyguards and one driver. The Deputy Mayor has two full-time bodyguards and Speaker have one full-time bodyguard.		
21. Investment revenue		
Interest revenue		
Investments	1 035 837	1 093 958
Bank	16 346	22 627
	1 052 183	1 116 585
	-	-
	1 052 183	1 116 585
22. Depreciation and amortisation		
Property, plant and equipment	4 313 819	3 346 873
Investment property	80 050	80 050
	4 393 869	3 426 923
23. Finance costs		
Finance leases	30 668	63 999
24. Auditors' remuneration		
Fees	997 434	1 114 110
25. Cash generated from operations		
Surplus	16 275 265	146 950
Adjustments for:		
Depreciation and amortisation	4 404 940	3 426 923
Finance costs - Finance leases	30 668	63 999
Movements in provisions	(36 547)	352 662
Changes in working capital:		
Trade and other receivables	43 255	910 602
Consumer debtors	11 717	(1 091 971)
Trade and other payables	605 219	1 856 464
VAT	(2 279 597)	101 831
Unspent conditional grants and receipts	(2 957 857)	5 830 696
	16 097 063	11 598 156

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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26. Commitments

Authorised capital expenditure

Already contracted and provided for

• Property, plant and equipment	23 664 000	24 657 545
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This committed expenditure relates to property, plant and equipment and will be financed from unspent infrastructure grants.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	101 952	-
- in second to fifth year inclusive	203 904	-
	305 856	-

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

27. Contingencies

Contingent liabilities

The following litigations have been brought against the municipality:

- Ashara Sookraj is suing the Municipality for R 12,023.14. The contingent liability includes legal costs, and should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled.
- Tholuwazi Driving School is suing the municipality for R 23,000.00. The contingent liability includes legal costs and should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

28. Prior period errors

During the year ended 30 June 2010, Property, Plant and Equipment improvements to roads and community halls were erroneously disclosed as capital works in progress.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Halls	1 438 680	-
Roads	2 410 926	-

Statement of financial performance

Depreciation expense	130 201	-
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29. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

30. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	7 606	-
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Fruitless and wasteful expenditure was incurred in the form of interest paid due to accounts for Telkom and Eskom not being settled in 30 days as required.

31. Additional disclosure in terms of Municipal Finance Management Act

Imbabazane Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
31. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	997 434	1 114 110
Amount paid - current year	(997 434)	(1 114 110)
	-	-
PAYE and UIF		
Current year subscription / fee	2 575 010	2 234 697
Amount paid - current year	(2 575 010)	(2 234 697)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	1 289 840	1 385 159
Amount paid - current year	(1 289 840)	(1 385 159)
	-	-
VAT		
VAT receivable	2 923 929	1 282 449

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the financial year.

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32. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o. council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	1 800 000	1 800 000		1 800 000	2 850 809		(1 050 809)	158 %	158 %
Investment revenue	1 300 000	1 300 000		1 300 000	1 052 183		247 817	81 %	81 %
Transfers recognised - operational	47 956 000	48 056 000		48 056 000	60 170 841		(12 114 841)	125 %	125 %
Other own revenue	321 000	321 000		321 000	205 405		115 595	64 %	64 %
Total revenue (excluding capital transfers and contributions)	51 377 000	51 477 000		51 477 000	64 279 238		(12 802 238)	125 %	125 %
Employee costs	(16 505 000)	(14 205 000)	-	(14 205 000)	(12 896 302)	-	(1 308 698)	91 %	78 %
Remuneration of councillors	-	-	-	-	(4 245 756)	-	4 245 756	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(2 900 000)	(2 900 000)		(2 900 000)	(4 404 940)	-	1 504 940	152 %	152 %
Finance charges	-	-	-	-	(30 668)	-	30 668	DIV/0 %	DIV/0 %
Other expenditure	(25 835 000)	(27 869 000)	-	(27 869 000)	(26 426 307)	-	(1 442 693)	95 %	102 %
Total expenditure	(45 240 000)	(44 974 000)	-	(44 974 000)	(48 003 973)	-	3 029 973	107 %	106 %
Total revenue (excluding capital transfers and contributions)	51 377 000	51 477 000	-	51 477 000	64 279 238	-	(12 802 238)	125 %	125 %
Total expenditure	(45 240 000)	(44 974 000)	-	(44 974 000)	(48 003 973)	-	3 029 973	107 %	106 %
Surplus/(Deficit)	6 137 000	6 503 000		6 503 000	16 275 265		(9 772 265)	250 %	265 %

Imbabazane Municipality

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit)	6 137 000	6 503 000	-	6 503 000	16 275 265	-	(9 772 265)	250 %	265 %
Surplus (Deficit) after capital transfers and contributions	6 137 000	6 503 000	-	6 503 000	16 275 265	-	(9 772 265)	250 %	265 %
Surplus/(Deficit) for the year	6 137 000	6 503 000		6 503 000	16 275 265		(9 772 265)	250 %	265 %

Imbabazane Municipality

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Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows									
Net cash from (used) operating	21 307 000	23 429 000		23 429 000	16 097 063		7 331 937	69 %	76 %
Net cash from (used) investing	(17 932 000)	(20 420 000)		(20 420 000)	(29 577 367)		9 157 367	145 %	165 %
Net cash from (used) financing	-	-		-	(119 122)		119 122	DIV/0 %	DIV/0 %
Cash/cash equivalents at the year end	3 375 000	3 009 000		3 009 000	(13 599 426)		16 608 426	(452)%	(403)%

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Appendix A: Analysis of property, plant and equipment

Appendix A

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Buildings (Separate for AFS purposes)	9 250 133	-	-	-	-	-	9 250 133	(1 308 940)	-	-	(308 338)	-	(1 617 278)	7 632 855
	9 250 133	-	-	-	-	-	9 250 133	(1 308 940)	-	-	(308 338)	-	(1 617 278)	7 632 855

Infrastructure

Roads, Pavements & Bridges	14 119 313	9 718 109	-	-	-	-	23 837 422	(3 354 247)	-	-	(2 276 749)	-	(5 630 996)	18 206 426
	14 119 313	9 718 109	-	-	-	-	23 837 422	(3 354 247)	-	-	(2 276 749)	-	(5 630 996)	18 206 426

Community Assets

Community halls	8 344 553	1 346 564	-	-	-	-	9 691 117	(1 180 016)	-	-	(339 023)	-	(1 519 039)	8 172 078
	8 344 553	1 346 564	-	-	-	-	9 691 117	(1 180 016)	-	-	(339 023)	-	(1 519 039)	8 172 078

Appendix A

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Other assets

General vehicles	2 330 220	-	-	-	-	2 330 220	(1 191 695)	-	-	(418 527)	-	(1 610 222)	719 998
Plant & equipment	3 613 870	1 740 000	-	-	-	5 353 870	(1 004 051)	-	-	(402 583)	-	(1 406 634)	3 947 236
Furniture & Fittings	1 255 710	1 053	-	-	-	1 256 763	(575 402)	-	-	(157 623)	-	(733 025)	523 738
Office Equipment	1 828 303	52 467	-	-	-	1 880 770	(1 116 971)	-	-	(275 226)	-	(1 392 197)	488 573
Other Assets - Leased	426 000	-	-	-	-	426 000	(217 556)	-	-	(135 750)	-	(353 306)	72 694

9 454 103	1 793 520	-	-	-	-	11 247 623	(4 105 675)	-	-	(1 389 709)	-	(5 495 384)	5 752 239
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Total property plant and equipment

Land and buildings	9 250 133	-	-	-	-	9 250 133	(1 308 940)	-	-	(308 338)	-	(1 617 278)	7 632 855
Infrastructure	14 119 313	9 718 109	-	-	-	23 837 422	(3 354 247)	-	-	(2 276 749)	-	(5 630 996)	18 206 426
Community Assets	8 344 553	1 346 564	-	-	-	9 691 117	(1 180 016)	-	-	(339 023)	-	(1 519 039)	8 172 078
Other assets	9 454 103	1 793 520	-	-	-	11 247 623	(4 105 675)	-	-	(1 389 709)	-	(5 495 384)	5 752 239

41 168 102	12 858 193	-	-	-	-	54 026 295	(9 948 878)	-	-	(4 313 819)	-	(14 262 697)	39 763 598
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Intangible assets

Computers - software & programming	73 717	6 547	-	-	-	80 264	(55 753)	-	-	(10 463)	-	(66 216)	14 048
73 717	6 547	-	-	-	-	80 264	(55 753)	-	-	(10 463)	-	(66 216)	14 048

Investment properties

Investment property	2 401 490	-	-	-	-	2 401 490	(533 567)	-	-	(80 049)	-	(613 616)	1 787 874
2 401 490	-	-	-	-	-	2 401 490	(533 567)	-	-	(80 049)	-	(613 616)	1 787 874

Total

Land and buildings	9 250 133	-	-	-	-	9 250 133	(1 308 940)	-	-	(308 338)	-	(1 617 278)	7 632 855
Infrastructure	14 119 313	9 718 109	-	-	-	23 837 422	(3 354 247)	-	-	(2 276 749)	-	(5 630 996)	18 206 426
Community Assets	8 344 553	1 346 564	-	-	-	9 691 117	(1 180 016)	-	-	(339 023)	-	(1 519 039)	8 172 078
Other assets	9 454 103	1 793 520	-	-	-	11 247 623	(4 105 675)	-	-	(1 389 709)	-	(5 495 384)	5 752 239
Intangible assets	73 717	6 547	-	-	-	80 264	(55 753)	-	-	(10 463)	-	(66 216)	14 048
Investment properties	2 401 490	-	-	-	-	2 401 490	(533 567)	-	-	(80 049)	-	(613 616)	1 787 874

43 643 309	12 864 740	-	-	-	-	56 508 049	(10 538 198)	-	-	(4 404 331)	-	(14 942 529)	41 565 520
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Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Supplementary Information

Appendix B: Segmental analysis of property, plant and equipment

Appendix B

Segmental analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	21 179 443	1 800 067	-	-	-	-	22 979 510	(6 003 935)	-	-	(1 788 559)	-	(7 792 494)	15 187 016
Comm. & Social/Libraries and archives	8 344 553	1 346 564	-	-	-	-	9 691 117	(1 180 016)	-	-	(339 023)	-	(1 519 039)	8 172 078
Road Transport/Roads	14 119 313	9 718 169	-	-	-	-	23 837 482	(3 354 247)	-	-	(2 244 860)	-	(5 599 107)	18 238 375
	43 643 309	12 864 800	-	-	-	-	56 508 109	(10 538 198)	-	-	(4 372 442)	-	(14 910 640)	41 597 469
Total														
Municipality	43 643 309	12 864 800	-	-	-	-	56 508 109	(10 538 198)	-	-	(4 372 442)	-	(14 910 640)	41 597 469
	43 643 309	12 864 800	-	-	-	-	56 508 109	(10 538 198)	-	-	(4 372 442)	-	(14 910 640)	41 597 469

Imbabazane Municipality

Annual Financial Statements for the year ended 30 June 2011

Supplementary Information

Appendix C: Segmental Statement of Financial Performance

Appendix C

Segmental Statement of Financial Performance for the year ended Prior Year 30 June 2010 Current Year 30 June 2011

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
49 372 470	19 652 634	29 719 836	Executive & Council/Mayor and Council	64 279 238	4 245 756	60 033 482
-	20 327 197	(20 327 197)	Finance & Admin/Finance	-	28 554 789	(28 554 789)
-	8 052 111	(8 052 111)	Planning and Development/Economic Development/Plan	-	12 896 302	(12 896 302)
-	1 193 578	(1 193 578)	Comm. & Social/Libraries and archives	-	2 307 126	(2 307 126)
49 372 470	49 225 520	146 950		64 279 238	48 003 973	16 275 265
Municipal Owned Entities Other charges						
49 372 470	49 225 520	146 950	Municipality	64 279 238	48 003 973	16 275 265
49 372 470	49 225 520	146 950	Total	64 279 238	48 003 973	16 275 265